

## Message Text

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PAGE 01 STATE 063518

21

ORIGIN EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

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STR-01 TAR-01 TRSE-00 PRS-01 SP-02 OMB-01 XMB-02

NSCE-00 SSO-00 USIE-00 INRE-00 AF-06 ARA-06 EA-06

NEA-09 /122 R

DRAFTED BY EB/ITP/EWT:MTLORIMER:ERS

APPROVED BY EB/ITP/EWT:RBWRIGHT

EUR/EE-RCHRISTENSEN

EUR/RPE-RHARDING(SUBS)

EB/ITP-MGLITMAN USDA-JBESHOAR

STR-AGARLAND LABOR-JCOYLE

STR-ELAPP INTERIOR-RJOHNSON

COMMERCE/OTP-BMARSH

COMMERCE/BEWT-DHASFURTHER

TREASURY-SLYON

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P R 202132Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY BUCHAREST PRIORITY

USMISSION GENEVA PRIORITY

AMEMBASSY BRUSSELS PRIORITY

INFO AMEMBASSY BUDAPEST

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EEWT, RO, ETRD

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PAGE 02 STATE 063518

SUBJECT: GATT AND THE ROMANIAN TARIFF

REFS: (A) BUCHAREST 988, (B) BUCHAREST 940, (C) GENEVA  
1579, (D) STATE 38692, (E) BRUSSELS 1647

1) EMBASSY'S DISCUSSION WITH ROMANIAN OFFICIALS AS REPORTED REFS A AND B WOULD SEEM TO INDICATE IMPORTANT NARROWING OF ROMANIAN OBJECTIVES VIS-A-VIS GATT WP CONSIDERATION OF TARIFF. OUR UNDERSTANDING IS GOR NOW CONSIDERS QUESTION OF TARIFF'S EFFECTIVENESS OUTSIDE SCOPE OF WORKING PARTY, AND GOR IS NOT NOW SEEKING TO PROVE THAT TARIFF IS EQUIVALENT IN EFFECT TO THOSE OF OTHER COUNTRIES. GOR APPARENTLY IS NOW WILLING TO SETTLE FOR WORKING PARTY DETERMINATION THAT TARIFF QUOTE CONFORMS TO GATT NORMS UNQUOTE, AND TO PUT OFF QUESTION OF ROMANIAN IMPORT COMMITMENT AND OTHER GATT OBLIGATIONS FOR CONSIDERATION IN SEPARATE WORKING PARTY THAT WOULD MEET IF AND WHEN GOR WANTS TO RENEGOTIATE THEM.

2) VIEW EXPRESSED BY NICOLAE AND DUMITRESCU (BUCHAREST 940 AND 988) THAT SINGLE QUESTION UNDER CONSIDERATION SHOULD BE WHETHER THE ROMANIAN TARIFF CONFORMS TO QUOTE GATT NORMS UNQUOTE MAY PROVIDE BASIS FOR WORKING PARTY OUTCOME SATISFACTORY TO CPS THAT HAVE MAJOR INTEREST. WE COULD ACCEPT WORKING PARTY REPORT TO EFFECT THAT, ON BASIS OF INFORMATION SUPPLIED BY ROMANIA, IT FOUND THAT MODALITIES OF ROMANIAN TARIFF ARE NOT INCONSISTENT WITH THE PROVISIONS OF THE GENERAL AGREEMENT. THIS FORMULATION CLOSER TO THE SENSE OF DISCUSSIONS IN WP, WHICH DID NOT FOCUS ON SETTING OUT SPECIFIC NORMS AND WHETHER TARIFF CONFORMS TO THEM. WORKING PARTY REPORT SHOULD ALSO MAKE CLEAR THAT FINDING TARIFF NOT INCONSISTENT WITH GATT DOES NOT RELATE TO EFFECTIVENESS OF TARIFF. FYI: WE CANNOT AGREE TO PHRASE THAT ROMANIAN TARIFF QUOTE CONFORMS TO GATT NORMS UNQUOTE BECAUSE OF LACK OF ANY CLEAR DEFINITION OF WHAT THAT MEANS AND OUR CONCERN THAT SUCH AMBIGUOUS LANGUAGE COULD BE INTERPRETED AS IMPLYING THAT TARIFFS COMPARABLE TO TARIFFS OF MANY OTHER CPS. OUR POSITION ON OTHER RELEVANT ISSUES REMAINS AS EXPRESSED IN REF D, PARA 2. END FYI.

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PAGE 03 STATE 063518

3) ACCORDINGLY, US WOULD BE PREPARED HELP OBTAIN FINAL WP REPORT ALONG LINES STATED ABOVE, WITH A VIEW TO MINIMIZING FURTHER FRICTION THAT COULD DISCOURAGE FUTURE ROMANIAN INTERNAL REFORMS AND INVOLVEMENT IN INTERNATIONAL TRADING SYSTEM. WE WOULD SPECULATE THAT REPORT COULD BE ADOPTED AT BRIEF FINAL SESSION OF WP SOMETIME BEFORE GATT SUMMER RECESS.

4) FOR MISSIONS EC BRUSSELS AND GENEVA: US REP. SHOULD APPROACH APPROPRIATE EC OFFICIALS TO INFORM THEM OF APPARENT GOR RETRENCHMENT ON ACCEPTABLE OUTCOME OF WP EXAMINATION OF TARIFF AND PROPOSE SCENARIO SUGGESTED PARAS 2 AND 3 ABOVE.

5) UPON CONFIRMATION FROM EC BRUSSELS THAT EC IS AGREEABLE TO SUCH APPROACH, EMBASSY BUCHAREST SHOULD PROPOSE IT TO GOR.

6) EMBASSY BUCHAREST AND MISSION GENEVA IN DISCUSSIONS WITH GOR OFFICIALS SHOULD STATE THAT WE BELIEVE US INSTRUMENTAL IN PERSUADING EC TO CONCEDE THAT ROMANIAN TARIFF HAS SOME EFFECT. IN VIEW OF OUR POSITIVE CONTRIBUTIONS, WE FAIL TO UNDERSTAND WHY GORS FEELINGS ON THIS ISSUE SEEM TO BE DIRECTED PRINCIPALLY TOWARD US (REF B).

7) IF ROMANIANS SHOULD AGAIN IMPLY THAT THEY MIGHT WITHDRAW MFN FROM US IN ORDER TO DEMONSTRATE EFFECTIVENESS OF THEIR TARIFF: SUCH ACTION WOULD BE AT VARIANCE BOTH WITH US EFFORTS TO PLAY A POSITIVE ROLE, AND WITH OUR TWO GOVERNMENTS' NEGOTIATION OF A TRADE AGREEMENT PROVIDING FOR MFN. SUCH ACTION WOULD HARDLY PROVE EFFECTIVENESS OF ROMANINA TARIFF, SINCE IT WOULD BE UNCLEAR HOW MUCH DAMAGE TO US EXPORTS WOULD BE ATTRIBUTABLE TO DIFFERENTIAL TARIFF TREATMENT AND HOW MUCH TO OTHER INTERNAL DEVICES AND PRESSURES.

8) ONLY IF ROMANIANS PERSIST IN WISHING TO DISCUSS GATT ACCEPTANCE OF HUNGARIAN TARIFF CONCESSIONS, YOU MAY AS APPROPRIATE DRAW ON FOLLOWING POINTS:  
(A) DIFFERING TREATMENT BY CP'S OF THE ROMANIAN TARIFF LIMITED OFFICIAL USE

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PAGE 04 STATE 063518

IN PRESENT CONTEXT VS. HUNGARIAN TARIFF AT TIME OF LATTER'S GATT ACCESSION APPEARS JUSTIFIABLE FOR SEVERAL REASONS. FIRST, HUNGARIAN ECONOMIC REFORMS REPRESENTED HISTORIC DEPARTURE THAT RECEIVED WIDESPREAD INTERNATIONAL ATTENTION. THEY HAD BEEN IN PLACE FOR SEVERAL YEARS BY THE TIME ACCESSION NEGOTIATIONS WERE COMPLETED, DURING WHICH PERIOD BROAD DOMESTIC ACCEPTANCE AND NATURE OF THEIR COMMERCIAL EFFECTS HAD BECOME EVIDENT; POSSIBILITY THAT THEY MIGHT BE DRASTICALLY CURTAILED HAD ALSO DIMINISHED. SECOND, REFORMS WERE INTRODUCED OVER A PERIOD OF YEARS ON THE BASIS OF A COMPREHENSIVE PLAN ANNOUNCED IN ADVANCE. IMPLEMENTATION OF EACH STAGE WAS CHARACTERIZED BY EXTENSIVE DISCUSSION BY ECONOMISTS AND OFFICIALS WIDELY REPORTED IN PUBLIC MEDIA AND OPEN TO QUALITATIVE ASSESSMENT BY ACADEMIC

AND GOVERNMENTAL SPECIALISTS IN THE WEST. (MOST OF WHAT WE KNOW ABOUT ROMANIAN TARIFF COMES FROM GATT WP.) THIRD, THEY INVOLVED CONSIDERABLE DECENTRALIZATION AND ADOPTION OF MARKET FEATURES, INCLUDING COMPETITION BETWEEN DOMESTIC PRODUCTS AND IMPORTS.

(B) WE WOULD NOT TAKE ISSUE WITH GOR OFFICIALS' CONTENTION, AS WE UNDERSTAND IT, THAT PROVISION IN HUNGARIAN PROTOCOL FOR NONAPPLICABILITY OF TARIFF TO CEMA AND CERTAIN ASIAN NONMARKET ECONOMY COUNTRIES, DESPITE UNDERTAKING IN PROTOCOL THAT THIS WOULD NOT IMPAIR HER COMMITMENTS TO GATT CONTRACTING PARTIES, IN FACT LEAVES OPEN THE POSSIBILITY OF DISCRIMINATION AGAINST CP'S. IN THIS RESPECT, WE APPRECIATE THAT ROMANIAN ASSURANCES CONCERNING NONDISCRIMINATORY APPLICATION ARE MUCH MORE SATISFACTORY.

(C) CP'S ACCEPTANCE OF HUNGARIAN (OR ANY COUNTRY'S) TARIFF CONCESSIONS AT TIME OF ACCESSION DOES NOT PRECLUDE CP'S FROM DISCOUNTING OR REFUSING TO ACCEPT TARIFF REDUCTIONS BY THE ACCEDING COUNTRY IN THE CONTEXT OF FUTURE GATT NEGOTIATIONS. GATT LEAVES IT OPEN TO INDIVIDUAL CP TO PLACE FAIR VALUE ON TRADE CONCESSIONS OFFERED BY ITS GATT PARTNERS.

9) TONE OF EMBASSY PRESENTATION TO GOR SHOULD REFLECT OUR DESIRE TO RESOLVE THE ISSUE SATISFACTORILY AND OUR APPRECIATION THAT CURRENT ROMANIAN APPROACH REPRESENTS LIMITED OFFICIAL USE

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SIGNIFICANT STEP IN THAT DIRECTION. INGERSOLL

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
**Draft Date:** 20 MAR 1975  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
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**Enclosure:** n/a  
**Executive Order:** N/A  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 BUCHAREST 988, 75 BUCHAREST 940  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 15 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <15 APR 2003 by ShawDG>; APPROVED <20 MAY 2003 by MorefiRH>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GATT AND THE ROMANIAN TARIFF  
**TAGS:** EEW, ETRD, RO  
**To:** BUCHAREST BRUSSELS  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006